

## Fundamental US TIPS Fixed Income

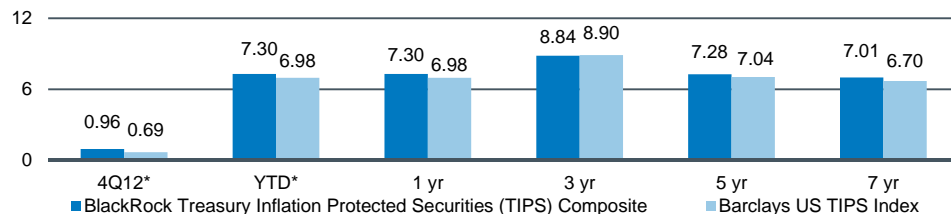
### Strategy overview

BlackRock applies a relative value approach to the management of Treasury Inflation Protected Securities (TIPS) mandates. The distinguishing feature of BlackRock's investment management style has been the ability to generate alpha within a risk-controlled framework. Our Inflation-linked Bonds philosophy remains true to the mandate - we generate alpha primarily through interest rate, breakeven inflation and liquid non-benchmark strategies. We do not rely on yield from other sectors, such as credit or securitized assets, to generate return. As a result, we believe consistent value is added and performance volatility is limited. Our proprietary suite of portfolio risk management tools and valuation models enables our global network of experienced professionals to analyze a vast array of risk measures in real time, assess the potential impact of various strategies on total return, and limit return volatility.

### Performance

#### BlackRock TIPS Composite (as of 31 December 2012)

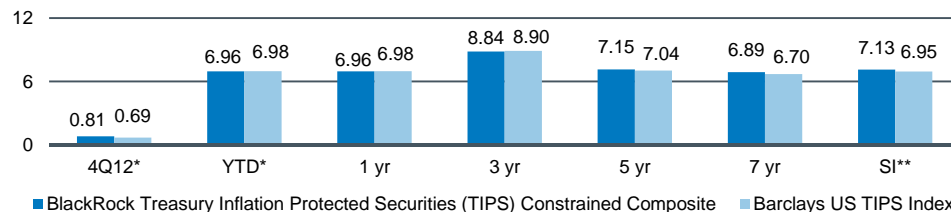
Total return % in USD\*



	Q4 %	YTD %	1-yr %	3-yr %	5-yr %	7-yr %
Composite (Gross)	0.96	7.30	7.30	8.84	7.28	7.01
Benchmark (Barclays US TIPS)	0.69	6.98	6.98	8.90	7.04	6.70
Active Return (Composite Gross vs. Benchmark)	0.27	0.32	0.32	-0.06	0.24	0.31

#### BlackRock TIPS Constrained Composite (as of 31 December 2012)

Total return % in USD\*



	Q4 %	YTD %	1-yr %	3-yr %	5-yr %	7-yr %	SI %
Composite (Gross)	0.81	6.96	6.96	8.84	7.15	6.89	7.13
Benchmark (Barclays US TIPS)	0.69	6.98	6.98	8.90	7.04	6.70	6.95
Active Return (Composite Gross vs. Benchmark)	0.12	-0.02	-0.02	-0.06	0.11	0.19	0.18

\* Returns for periods greater than one year are annualized

Performance is shown gross of advisory fees. The deduction of advisory fees will reduce performance results and the return to investors. Net performance reflects the deduction of the highest advisory fee that can be charged to any account in the Composite (currently an annual rate of 15 bps), which fee rates may vary over the life of the performance history. Fees are described in our Form ADV, Part II. Past results are not necessarily indicative of future results. All performance results assume reinvestment of dividends, interest, and/or capital gains. Performance above does not necessarily represent the performance that any particular account investing in the same or similar securities may have had during the period. Actual performance may be higher or lower based on unique client guidelines, account size, market and economic considerations. The index is unmanaged and does not incur management fees, transaction costs, or other expenses of a managed account. For purposes of compliance with the Global Investment Performance Standards (GIPS®), the "firm" refers to the investment adviser and national trust bank subsidiaries of BlackRock, Inc., located globally, with the exception of BlackRock Kelso Capital Advisors, LLC. This definition excludes: i) BlackRock subsidiaries that do not provide investment advisory or management services, and ii) the Absolute Return Strategies (funds-of-hedge-funds) business unit under the "BlackRock Alternative Advisers" platform. The Treasury Inflation-Protected Securities Composite (USD) represents a US investment grade fixed income strategy with a relative value, duration controlled approach that invests in inflation-linked bonds. The TIPS Constrained Composite (USD) represents a US investment grade fixed income strategy with a relative value, duration controlled approach that invests in the full spectrum of US and non-US inflation-linked bonds. No leverage is utilized; futures and options may be used if account guidelines permit. Non-fee paying accounts are not included in the composite. BlackRock claims compliance with GIPS®. For a complete list and description of BlackRock composites and/or a presentation that adheres to the GIPS® standards, contact info@blackrock.com.

### Objective

Provide superior long-term performance relative to the benchmark index by creating a diversified portfolio of US inflation-linked bond securities.

### Strategy details (as of 31 December 2012)

**Strategy AUM** \$15.6 billion<sup>1</sup>

<sup>1</sup> The team manages an additional \$13.2 billion in Global Inflation-Linked mandates.

### BlackRock TIPS Composite

**Benchmark** Barclays US TIPS

**Composite AUM** \$7.7 billion

**Composite Inception Date** 1 October 2004

**\*\* Alpha target** 50 – 65 bps per annum

### BlackRock TIPS Constrained Composite

**Benchmark** Barclays US TIPS

**Composite AUM** \$1.6 billion

**Composite Inception Date** 1 December 2002

**\*\* Alpha target** 20 – 30 bps per annum

### Benchmark detail

**Benchmark** Barclays US TIPS

**Duration** 7.95

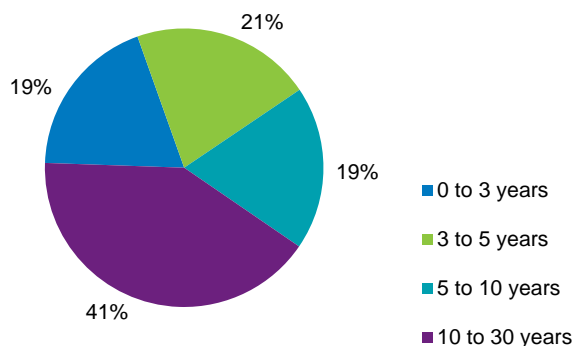
**YTM** 1.37

**Average Quality** AA+

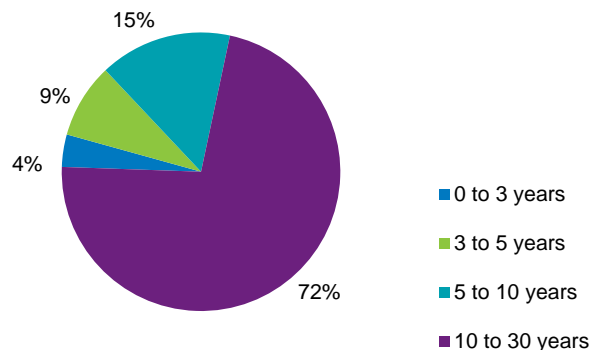
\*\* Separate account alpha targets may vary depending on client objectives and guidelines

## Portfolio characteristics

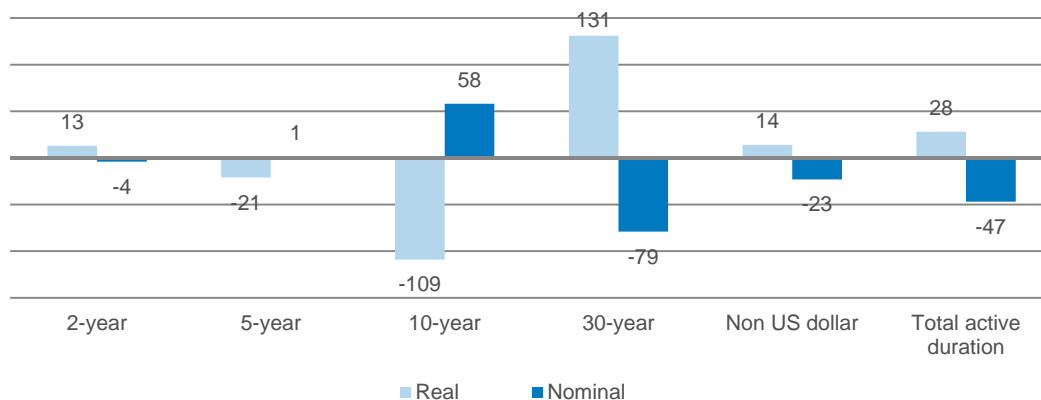
ILB Breakdown by maturity (% NAV)



ILB Breakdown by maturity (% Duration)



Real and Nominal Active Duration Contribution (in bps)



Portfolio characteristics are of a representative account managed in the BlackRock strategy as of 31 December 2012, and are subject to change. Actual client portfolios may differ due to timing of client investment, client-imposed restrictions, and differences in market conditions

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